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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 004031

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [EAID](#) [EFIN](#) [PTER](#) [CH](#) [PK](#)  
SUBJECT: PRC: MFA CONFIRMS UNSPECIFIED CIVILIAN NUCLEAR  
COOPERATION AND FINANCIAL ASSISTANCE TO PAKISTAN

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Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.4  
(B/D).

Summary  
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¶1. (C) China wishes to continue the development of its civilian nuclear cooperation with Pakistan, according to MFA Asian Affairs Department Afghanistan and Pakistan Division Director Zhang Yiming. In an October 23 briefing for the U.S. and U.K. Embassies on Pakistan President Asif Zardari's October 14-17 visit to China, Zhang refused to provide details on China's planned civilian nuclear cooperation with Pakistan, claiming only that further civilian nuclear activities will conform to international nonproliferation obligations. Zhang stated that China is considering providing Pakistan budgetary assistance, but again offered no details. Zhang reported that Zardari considers international criticism of Pakistan's counter-terrorism efforts "unfair" and believes that further international assistance is needed to prevent the spread of terrorism to the entire region. According to Zhang, Chinese leaders assured Zardari that China will continue to develop the bilateral strategic partnership "no matter what the political situation" in Pakistan. Zhang said China will continue to funnel its assistance to Pakistan through bilateral channels, and he urged the United States and United Kingdom to take immediate action to assist Pakistan. End Summary.

¶2. (SBU) In an October 23 meeting with diplomats from the U.S. and U.K. Embassies, MFA Asian Affairs Department Afghanistan and Pakistan Division Director Zhang Yiming provided a briefing on Pakistan President Asif Zardari's October 14-17 trip to China. Chinese media reported Zardari met with PRC President Hu Jintao, Premier Wen Jiabao, National People's Congress Standing Committee Chairman Wu Bangguo and other senior officials. The two sides signed a number of agreements and MOUs on economic, technical and cultural issues.

Civilian Nuclear Cooperation  
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¶3. (C) In response to a query on media reports about China's agreement to build two more nuclear power plants in Pakistan, Zhang stated that Pakistan is in great need of energy and noted that the United States and United Kingdom have refused

Pakistan's requests for assistance with civilian nuclear energy. Zhang noted that China has signed agreements with Pakistan in the past on the development of peaceful nuclear energy and that China wishes to continue that development. Though pressed repeatedly, Zhang offered no specifics. Reiterating the standard Chinese position on the topic, Zhang noted that every country has the right to develop peaceful nuclear energy in accordance with international nonproliferation obligations. Zhang stated that any new power plants projects would be for peaceful use, and he contended that such projects would be under IAEA safeguards and not in violation of any international nonproliferation obligation. When PolOff noted that the exception to the NSG Guidelines provision requiring full-scope safeguards as a condition on nuclear supply applied only to Chasma I and II, Zhang suggested the original grandfathering exception would also apply to future projects. He added, however, that he is not versed in the details of this aspect of the project.

#### Economy and Trade

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¶4. (C) Director Zhang said that Zardari's main focus in Beijing was bilateral economic and trade relations, noting Zardari met with "over 20" Chinese CEOs from telecommunications, petrochemical, cement, steel, banking and military-related companies and presided over a China-Pakistan business forum attended by over 300 leading business leaders. Without providing details, Zhang said Zardari suggested a number of "new ideas" for China-Pakistan economic cooperation that Chinese officials will consider. For their part, Chinese leaders assured Zardari that China will continue to develop the bilateral strategic partnership "no matter what the political situation" in Pakistan, according to Zhang.

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¶5. (C) Zhang said that Zardari explained the serious economic situation in Pakistan to the PRC leadership and "very diplomatically" and without suggesting specific dollar figures requested that China consider providing assistance "as China used to do before." Chinese leaders, according to Zhang, responded that they understand Pakistan's economic difficulties and that China is willing to consider assistance "as China used to do before." Pressed to elaborate, Zhang said that as a developing country China does not typically provide a large amount of development assistance, noting the relatively small RMB 70 million (approximately USD 10 million) grant to Pakistan on technical cooperation. Pressed on other possible financial support, Zhang noted Pakistan's request for budgetary assistance, given its dwindling foreign exchange holdings. However, because of current global economic uncertainty and China's own financial problems, Zhang said, the two sides had spoken "only in generalities." Zhang added that Pakistan Finance Minister met with officials from the People's Bank of China on the issue, but Zhang was unaware of the outcome of those discussions.

¶6. (C) Pressed for specifics on China's financial assistance and civilian nuclear program commitments to Pakistan, Zhang stated that China wants to keep a "low profile" to avoid creating misunderstandings. Zhang said China does not want its relationship with Pakistan to be perceived as "aiming at a third country."

#### Counter-Terrorism Challenge

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¶7. (C) According to Zhang, Zardari told Chinese leaders that Pakistan is facing a terrorism situation not of its own making, stating that the Pakistan's terrorism problem is a legacy of the Soviet invasion of Afghanistan and was "created by some countries." Zardari said that Pakistan is "bearing a huge cost" in addressing the issue and that the international community's criticism that Pakistan is not making enough effort to combat terrorism is "unfair," Zhang reported.

Zardari highlighted the need for increased international assistance to combat the problem, suggesting that if the problem of terrorism in Pakistan is not addressed soon, terrorism will spread to the whole region.

#### Counter-Terrorism Cooperation

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¶18. (C) Stating that Pakistan and China enjoy close cooperation on counter-terrorism issues, Zhang reported that Advisor to the Pakistani Prime Minister Rehman Malik discussed strengthening counter-terrorism efforts with PRC State Councilor and Minister for Public Security Meng Jianzhu. Zhang said that China expressed appreciation for Pakistan's "efforts and sacrifice" in counter-terrorism efforts. The two sides discussed Pakistan's acquisition of unspecified PRC "counter-terrorism equipment," though Zhang added that military cooperation was not a focus of the visit.

Zardari

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¶19. (C) Director Zhang commented that Zardari is a "controversial figure" in Pakistan and that his visit drew widespread attention from Chinese officialdom and the media. Zhang said Zardari noted that his trip to China was his first official visit as President of Pakistan and stressed to his Chinese interlocutors that he was the "first businessman" to be elected President, reflecting his trade and finance agenda in China. In his meetings with Chinese leaders, Zardari referred to himself as the "third generation" of Bhuttos (after his father-in-law Zulfikar Ali Bhutto, former President and Prime Minister and founder of the PPP, and his late wife and former Prime Minister Benazir Bhutto) to have friendly relations with the PRC, Pakistan's "all-weather friend." Zhang said Zardari seemed "anxious to get support," particularly in this time of economic crisis.

#### Friends of Pakistan Agenda

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¶10. (C) Noting that a collapse of Pakistan's economy is in no country's interest, Zhang stressed that China will to do all it can through bilateral channels to assist Pakistan and suggested the United States and United Kingdom take concrete measures "immediately" to assist Pakistan. He expressed concern about negative media reports regarding SCA Assistant Secretary Boucher's recent visit to Pakistan that indicated U.S. unwillingness to assist with Pakistan's dire financial situation and asked whether this position also reflects the agenda of the Friends of Pakistan (FOP) group. PolOff responded that the United States fully supports the development of a stable and prosperous Pakistan and that credible steps by Pakistan to stabilize its economy would make further financial assistance more effective. Both the U.K. Embassy representative and PolOff encouraged China to fully participate in the FOP group in order to better achieve our common goals in Pakistan.

RANDT